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Message Text

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ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 FEA-02 AEC-11 AID-20 CEA-02

CIAE-00 CIEP-03 COME-00 DODE-00 EB-11 FPC-01 H-03

INR-11 INT-08 L-03 NSAE-00 NSC-07 OMB-01 PM-07 RSC-01

SAM-01 SCI-06 SP-03 SS-20 STR-08 TRSE-00 FRB-03 AGR-20

SWF-02 SAB-01 EA-11 IO-14 PA-04 PRS-01 USIA-15 DRC-01

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R 291312Z SEP 74
FM AMEMBASSY MANAMA BAHRAIN
TO SECSTATE WASHINGTON DC 1538
INFO AMEMBASSY ABU DHABI
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY MUSCAT
AMEMBASSY TEHRAN
AMEMBASSY VIENNA
AMEMBASSY KUWAIT

C O N F I D E N T I A L MANAMA 0787

FROM PAGANELLI, EMBASSY DOHA

E.O. 11652: GDS
TAGS : ENRG, QA, US
SUBJECT : QATARI REACTION TO US VIEWS ON OIL PRICES

1. SUMMARY: NEA'S SOBER ELABORATED TO AMIR OF QATAR SERIOUS US CONCERN OVER OIL PRICE SITUATION, EMPHASIZING THAT RECENT STATEMENTS BY THE PRESIDENT AND SECRETARY WERE A CALL FOR COOPERATION, NOT (RPT NOT) CONFRONTATION. AMIR ACKNOWLEDGED THAT WORLD ECONOMIC SITUATION WAS IN DISEQUILIBRIUM. HE EX-PRESSED VIEW THAT RESOLUTION OF PROBLEM SHOULD BE FOUND AT INTERNATIONAL LEVEL BY PRODUCERS AND CONSUMERS DEALING NOT
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ONLY WITH OIL PRICES BUT ALSO WITH PRICES OF FOOD AND OTHER

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COMMODITIES. AMIR PLEDGED HIS FULL COOPERATION TO ANY SUCH INTERNATIONAL EFFORT. END SUMMARY.

2. DURING HOUR AND A HALF SEPT 28 MEETING WITH SHAYKH KHALIFA BIN HAMAD AL THANI, AMIR OF QATAR, DEPUTY ASSISTANT SECRETARY SOBER EXPLAINED US CONCERN OVER OIL PRICE SITUATION. IN ADDITION TO MYSELF, GOQ MINISTER OF INFORMATION, ISSA KAWARI, WHO IS ALSO AMIR'S CHEF DE CABINET, ATTENDED MEETING. (MIDDLE EAST SITUATION AND US/QATAR RELATIONS WERE ALSO DISCUSSED, AND ARE BEING REPORTED IN SEPTELS.)

3. SOBER, NOTING RECENT PUBLIC STATEMENTS OF CONCERN BY PRESIDENT AND SECRETARY, EMPHASIZED US DESIRE TO PROMOTE CONSUMER/PRODUCER COOPERATION, NOT (RPT NOT) CONFRONTATION. SOBER OBSERVED THAT LOCAL AND REGIONAL PRESS REPORTING OF PRESIDENT'S AND SECRETARY'S REMARKS APPEAR TO HAVE MISINTERPRETED US INTENT AND HE WISHED THE AMIR TO UNDERSTAND WHAT WAS BEHIND OUR CONCERN. IN US VIEW, QUADRUPLING OF OIL PRICES IN PERIOD OF FEW MONTHS DURING PAST YEAR WAS KEY SOURCE OF SERIOUS DIFFICULTIES NOW FACING WIDE VARIETY OF CONSUMING COUNTRIES. PROBLEMS WERE EVIDENT IN INFLATIONARY AND PAYMENTS STRAINS AFFECTING BOTH INDUSTRILAIZED COUNTRIES AND NON-OIL-PRODUCING DEVELOPING COUNTRIES. CONSEQUENCES COULD NOT FAIL TO HAVE THEIR EFFECT ON INTERNATIONAL FINANCIAL STRUCTURE AND ALL COUNTRIES--PRODUCERS AS WELL AS CONSUMERS--WOULD BE DRAWN IN. THIS WAS INEVITABLE AS WORLD ECONOMY IS INCREASINGLY INTERDEPENDENT.

4. SOBER UNDERLINED THAT ALTHOUGH US RELATIVELY LESS AFFECTED THAN MANY OTHER COUNTRIES BY OIL PRICE ESCALATIONS BECAUSE OF ITS OWN SUBSTANTIAL ENERGY RESOURCES AND BROAD ECONOMIC STRENGTH, WE FELT A RESPONSIBILITY TO PLAY A CONSTRUCTIVE ROLE IN RESOLVING CURRENT SERIOUS ECONOMIC DISLOCATIONS. SOBER STATED THAT US FULLY APPRECIATES PRODUCING COUNTRIES' NEED FOR REVENUE FOR DEVELOPMENT (WITH WHICH EFFORT US WANTS TO BE ASSOCIATED) AND THEIR RIGHT TO OBTAIN A REASONABLE PRICE FOR THEIR OIL. HE STRESSED, HOWEVER, THAT THESE FACTORS MUST BE BALANCED WITH INTEREST OF WORLD COMMUNITY IN ECONOMIC STABILITY. HE OFFERED VIEW THAT PROBLEMS ARISING IN LARGE PART FROM CURRENT HIGH LEVEL OF OIL PRICES WOULD ALSO HAVE THEIR EFFECT ON POLITICAL STABILITY. THE GAINERS IN THIS REGARD WOULD BE THOSE CONFIDENTIAL

WHO DID NOT WANT INTERNATIONAL HARMONY AND HOPED INSTEAD FOR DISARRAY.

5. IN RESPONSE, KHALIFA AGREED THAT PRESENT WORLD ECONOMIC SITUATION IN STATE OF DISEQUILIBRIUM. HE DID NOT QUESTION THE CONTENTION THAT CURRENT LEVEL OF OIL PRICES PLAYS A MAJOR ROLE. HOWEVER, HE STATED THAT QATAR, BECAUSE OF ITS SMALL OIL PRODUCTION, PLAYED ONLY A MINOR ROLE IN OVER-ALL SITUATIONS. IT

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WAS HIS AIM TO USE QATAR'S RELATIVELY MODEST OIL REVENUES TO INDUSTRIALIZE HIS COUNTRY SO THAT IT WOULD BE ECONOMICALLY VIABLE WHEN THE WELLS WENT DRY. KHALIFA SAID HE RECOGNIZED AND WAS CONCERNED ESPECIALLY WITH THE IMPACT OF HIGH PRICES ON NON-OIL PRODUCING-DEVELOPING COUNTRIES.

6. KHALIFA NOTED THAT THE BIG INDUSTRIAL CONSUMER COUNTRIES--US, UK, FRG, FRANCE AND JAPAN--WERE MEETING THIS WEEKEND NEAR WASHINGTON TO DISCUSS SITUATION. OPEC WOULD SOON BE CONVOKED FOR A SIMILAR DISCUCSION. HE ASSERTED IT WAS HIS FIRM BELIEF THAT THE WORLD INFLATION/OIL PRICE PROBLEM MUST BE RESOLVED AT THE INTERNATIONAL LEVEL AMONG PRODUCERS AND CONSUMERS ALIKE. THE DISCUSSION AMONG THEM SHOULD NOT (RPT NOT) BE CONFINED ONLY TO OIL PRICES, BUT SHOULD EXTEND TO FOOD, MANUFACTURES AND OTHER COMMODITIES. HE SAID THAT QATAR, A NON-AGRICULTURAL COUNTRY, WAS PAYING FOUR TIMES THE PRICE FOR FOOD IMPORTS THAT IT HAD PAID A YEAR AGO, AND THAT OTHER IMPORT REQUIREMENTS WERE SIMILARLY MORE COSTLY. HE SAID THAT HE SAW THE NEED TO CONTROL THE ESCALATION IN PRICES OF THESE VARIOUS COMMODITIES. KHALIFA ASSERTED THAT THE GOQ WOULD COOPERATE FULLY IN ANY INTERNATIONAL EFFORT TO REGULATE COMMODITY PRICES TO DAMP DOWN INFLATION, ALTHOUGH AS A SMALL COUNTRY, QATARI INFLUENCE WOULD BE LIMITED.

7. SOBER REPLIED THAT ALTHOUGH QATAR IS A SMALL COUNTRY, IT HAS A VOICE IN IMPORTANT FORUMS, AND WE WOULD WELCOME ITS CO-OPERATION IN DEALING WITH THE PRESENT WORLD ECONOMIC CRISIS. HE ASSURED KHALIFA THAT THE USG SHARES HIS CONCERN OVER GENERAL

INFLATIONARY TRENDS AND THAT IT IS GIVING TOP PRIORITY TO DEALING WITH INFLATION WITHIN THE US. CONCLUDING, SOBER REITERATED THAT THE PRESIDENT'S AND SECRETARY'S RECENT STATEMENTS ON OIL PRICES WERE INTENDED AS A CALL FOR COOPERATION ON AN URGENT WORLD PROBLEM, AND NOT (RPT NOT) AS CALL FOR CONFRONTATION. WE CONFIDENTIAL

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BELIEVED WE OWED IT TO OUR FRIENDS TO SPEAK OUT FRANKLY, AND SOBER URGED KHALIFA TO CONSIDER THE MATTER IN THAT LIGHT. KHALIFA REPLIED THAT HE VALUED THE DESIRE FOR A FRANK DISCUSSION AMONG FRIENDS AND THAT HE APPRECIATED SOBER'S EXPOSITION. HE WOULD CAREFULLY STUDY THE TEXTS OF THESE SPEECHES (PROVIDED BY THE EMBASSY), AND WOULD CONVEY THROUGH ME ANY COMMENTS HE MIGHT HAVE.

8. COMMENT: ATMOSPHERE OF MEETING WAS MOST CORDIAL. AMIR WAS MATTER-OF-FACT IN HIS RESPONSE TO SOBER PRESENTATION AND APPEARED TO PERCEIVE ELEMENTS OF PROBLEM. HE WAS NOT IN ANY WAY CRITICAL OF US POSTURE AS WE WERE TOLD HE HAD BEEN DURING MEETING WITH UK AMBASSADOR EARLIER THIS WEEK (SEPTEL). IN ANY CASE, SOBER'S EXPOSITION OF US VIEWS MOST TIMELY, PARTICULARLY IN LIGHT OF HOSTILE REACTION OF AREA PRESS TO PRESIDENT'S AND SECRETARY'S SPEECHES.

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